

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Australia

Sugar Annual

2011

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Report Highlights:

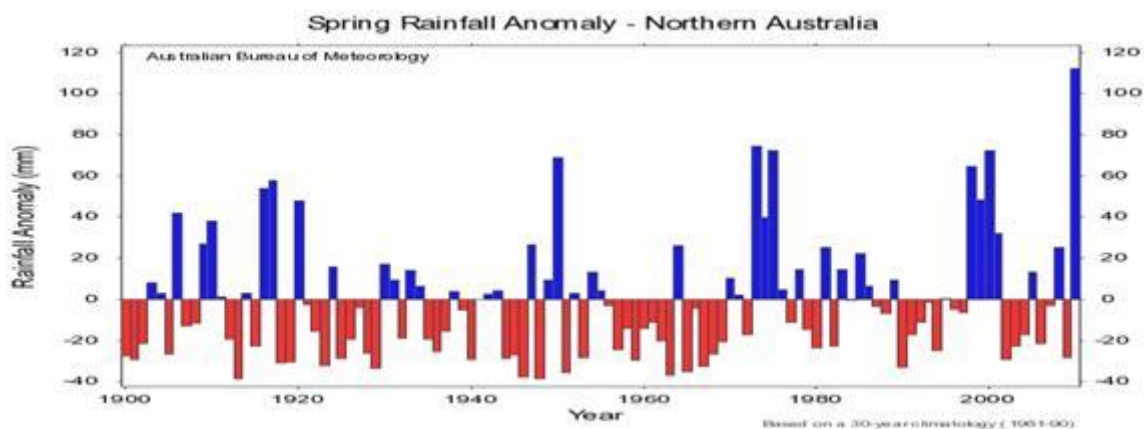
Estimated sugar production for 2010/11 has been slashed by more than one million metric tons on Post's previous report due to disastrous "once in a generation" harvest conditions. Exports and ending stocks for 2010/11 have also been cut. Production and exports on sugar in 2011/12 are forecast to increase somewhat, but will likely be partially constrained by the previous difficult weather conditions.

Summary:

The Australian sugar cane industry is expected to begin to recover in 2011/12 from the disastrous conditions experienced in 2010/11. Very heavy rainfall, leading up to and during the 2010/11 harvest period, cut harvest short and forced crop abandonment in the worst affected areas, slashing estimated production for the 2010/11 sugar cane crop.

Following the difficult 2010/11 harvest season, heavy rainfall was followed by the largest cyclone ever recorded to make landfall in Australia. This cyclone destroyed some crops and damaged some infrastructure. Going forward, this will likely constrain larger increases for the 2011/12 sugar cane crop and beyond.

Sugar production is forecast to increase slightly in 2011/12 as area harvested and commercial cane sugar content (CCS) increase. These increases however, are contingent upon a return to more normal weather conditions. Should above-average rainfall persist into 2011/12, Post's forecast would likely require revision.



Source: Australian Bureau of Meteorology Data

Particularly difficult conditions experienced during the 2010/11 season have caused Post to slash area harvested and reduce estimated commercial cane sugar content (CCS) of the cane crop, despite the previous forecast of a bumper crop. This has also caused a major downward revision of sugar production and exports, in line with official estimates. Estimates for closing stocks have also been reduced. Previous estimates had assumed average weather conditions instead of the record, or near record, wet weather experienced since Post's previous report. One media source stated that the 2010/11 harvest was the wettest since 1973 while other statements described the 2010/11 season as the most extreme weather events seen in a generation.

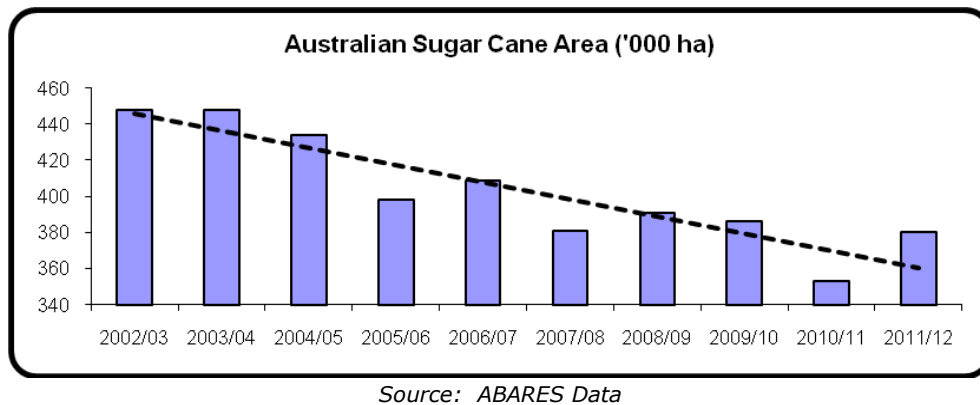
Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Total Cane Area (cut for crushing)

Total area harvested is forecast to increase sharply in 2011/12, to 380,000 hectares. Although representing a sharp year-over-year increase, this forecast would be considered well below the ten-year average. The 2010/11 area estimates have been revised downwards in line with a recently published ABARES figure to 353,000 hectares, the lowest level since 1993/94.



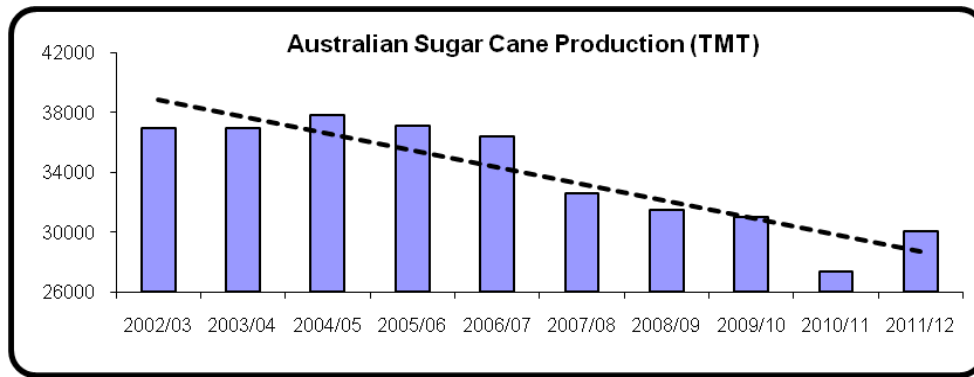
The 2010/11 harvest was effectively cut short by very heavy rainfall events during the second half of the harvest. This rainfall constantly interrupted harvest and effectively prevented it resuming. As a result, industry sources estimate that around 60,000 hectares remained un-harvested at the conclusion of the season. Much of this un-harvested cane area will likely be carried over into the 2011/12 harvest; however some will likely be abandoned.

Following the conclusion of the 2010/11 harvest, north Queensland suffered a major cyclone event in February. Cyclone Yasi, the largest recorded cyclone to ever make Australian landfall, caused widespread damage to crops including sugar cane. Damage to infrastructure was also reported. This damage is expected to partially constrain an increase in cane area in 2011/12.

Sugar Cane Production

Sugar cane production for 2011/12 is forecast at 30,000 TMT (30 MMT), representing a substantial increase on the revised estimate for 2010/11. An expected return to more normal weather conditions would represent a substantial improvement on harvesting conditions for the previous crop and would likely increase the area of cane harvested. Much of the un-harvested cane from 2010/11 will likely be harvested in 2011/12 although some of this area will probably be abandoned.

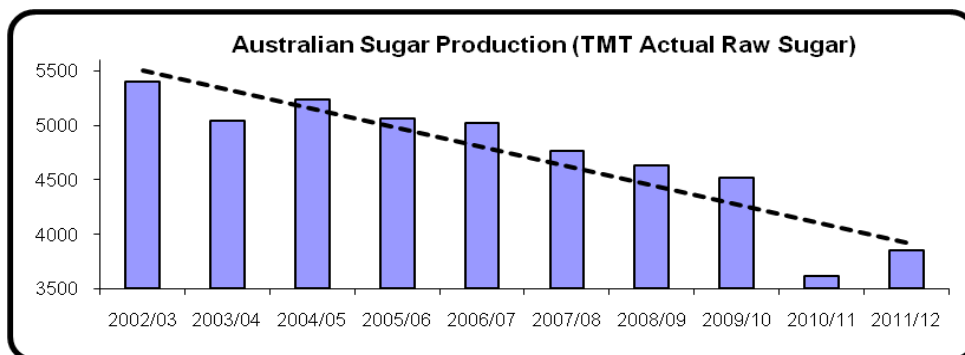
Estimated area for 2010/11 has been revised downwards sharply to 27,350 TMT (27.35 MMT), largely in line with industry sources and ABARES estimates. Difficult harvesting conditions are expected to have left significant quantities of cane un-harvested in 2010/11 and this has reduced the overall total area. This would represent the smallest cane crush since 1991/92, according to ABARES historical data.



Source: ABARES Data

Sugar Production

Total sugar production for 2011/12 is forecast at 4.0 MMT (IPS), representing a substantial increase on the previous year. Despite this increase, this would be considered well below the ten-year average of 4.72 MMT. Industry and government estimates for the size of the 2011/12 crop vary and Post's estimate remains somewhat in the middle of this range.

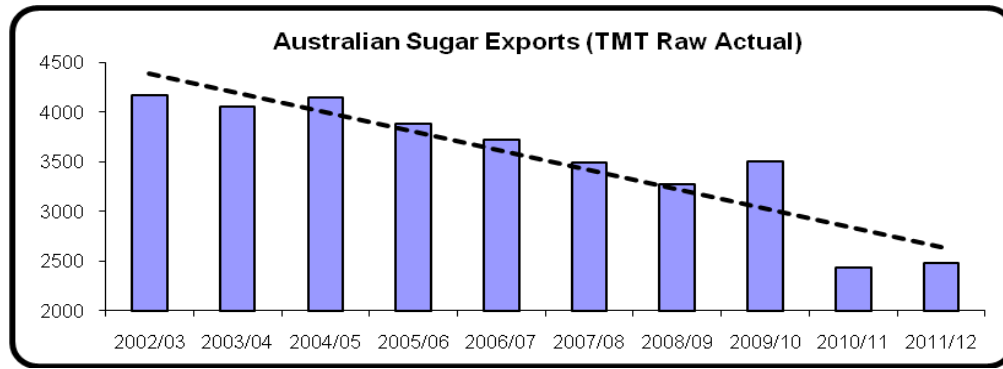


Source: ABARES Data

Sugar production estimates for 2010/11 have been revised downwards sharply to 3.7 MMT, the lowest level of production since 1991/92. Poor harvesting conditions together with a lower CCS, due to high rainfall and less sunshine, have combined to dramatically reduce cane crush and overall sugar production. Despite this revision, some sources suggest that the 2010/11 sugar cane crop could be smaller than currently estimated and that some downside potential remains.

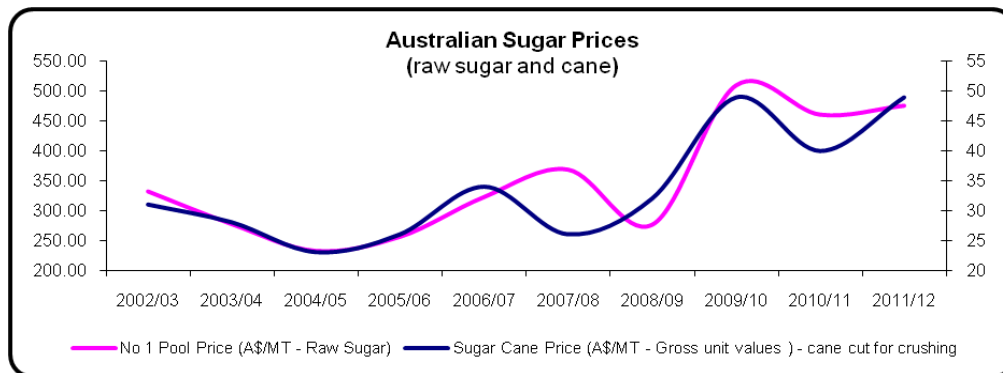
Exports

Total exports for 2011/12 are forecast at 2.85 MMT, up on the estimate for the previous year. Despite this increase, exports at this level would be considered very low, as the ten-year average stands at 3.52 MMT.



Estimated exports for 2010/11 have been slashed by almost one million metric tons (on Post's previous estimate) to 2.55 MMT. A lack of sugar available for export due to sharply lower production is the primary reason for this dramatic cut.

The estimated sugar production shortfall in 2010/11, and subsequent export shortfall has caused major financial hardship for Australian sugar exporters. Queensland Sugar Limited (QSL) markets the majority of Australian sugar. QSL has stated that it had previously expected to manage an export program of around 3.0 MMT for 2010/11, but believes this will be cut to around 2.2 MMT. Marketing decisions for the export program typically begin six to nine months prior to the commencement of harvest. Prior to the commencement of the 2010/11 harvest, expectations were high and the severity of the weather during harvest was not foreseen. Some planned export sales were not possible due to the production shortfall - the cost of this shortfall has been reported by QSL at AU\$105.544 million. QSL announced that it has commissioned an independent review to examine the QSL marketing program for 2010/11 with a view to improving future arrangements.



Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal Australia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0		0			0
Area Harvested	365	386	391	353		380
Production	30,000	31,027	33,500	27,350		30,000
Total Supply	30,000	31,027	33,500	27,350		30,000
Utilization for Sugar	30,000	31,027	33,500	27,350		30,000
Utilization for Alcohol	0	0	0	0		0
Total Utilization	30,000	31,027	33,500	27,350		30,000

1000 HA, 1000 MT

Sugar, Centrifugal Australia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	487	487	313	413		193
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	4,600	4,700	4,800	3,700		4,000
Total Sugar Production	4,600	4,700	4,800	3,700		4,000
Raw Imports	11	11	16	16		18
Refined Imp.(Raw Val)	66	66	64	64		62
Total Imports	76	76	80	80		80
Total Supply	5,163	5,263	5,193	4,193		4,273
Raw Exports	3,400	3,400	3,550	2,550		2,650
Refined Exp.(Raw Val)	200	200	200	200		200
Total Exports	3,600	3,600	3,750	2,750		2,850
Human Dom. Consumption	1,250	1,250	1,250	1,250		1,250
Other Disappearance	0	0	0	0		0
Total Use	1,250	1,250	1,250	1,250		1,250
Ending Stocks	313	413	193	193		173
Total Distribution	5,163	5,263	5,193	4,193		4,273

1000 MT

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:

<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>

Title of Report	Date
Additional Testing Required for Japanese Food Products	04/08/11
Cotton and Products Annual	04/04/11
Grain and Feed Annual 2011	03/29/11
Livestock and Products Semi-annual 2011	03/18/11
Wine Annual 2011	03/10/11